

# CITY OF ATCHISON, KANSAS

## NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2005

### 1 - Summary of Significant Accounting Policies

#### Reporting Entity

The City of Atchison, Kansas (the City) was incorporated in 1858. The City operates under a City Commission - Manager form of government. The accompanying basic financial statements present the City (the primary government) and its component unit, an entity for which the City is considered to be financially accountable. The discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the City.

*Discretely Presented Component Unit.* The Public Library (the Library) is operated by a Library Board which is appointed by the City Commission. The City levies and collects a special library tax to subsidize the Library's operations. The Library's operating budget is subject to the approval of the City Commission. The City must approve acquisition or disposition of real property by the Library, but the Library owns the capital assets. Bond issuances must also be approved by the City. The Library is presented as a governmental fund type. Separately issued financial statements for the Library are not available.

#### Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from the legally separate component unit for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

## CITY OF ATCHISON, KANSAS

### NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

#### 1 - Summary of Significant Accounting Policies (Continued)

##### Government-Wide and Fund Financial Statements (Continued)

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and the major individual enterprise fund are reported as separate columns in the fund financial statements.

##### Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. The agency funds do not have a measurement focus and use the accrual basis of accounting to report their financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. A 90-day availability period is used for revenue recognition for all governmental funds revenues except property taxes for which a 60-day availability period is used. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended for the specific purpose or project before any amounts will be paid to the City; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed requirements. These resources are reflected as revenues at the time of receipt, or earlier if the susceptible to accrual criteria are met.

CITY OF ATCHISON, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Property taxes, sales taxes, franchise taxes, interest associated with the current fiscal period, and certain state and federal grants and entitlements are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City. While property taxes are shown on the balance sheet as current assets of the City, they are not recognized as revenue at year end because statutory provisions prohibit their use until the year for which they were raised and budgeted. Instead, they are offset by deferred revenue accounts.

The City reports the following major governmental funds:

The general fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. This fund accounts for the general operating transactions of the City including public safety, public works, parks, recreation, and administration.

The debt service fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The City reports the following major proprietary fund:

The water/wastewater fund accounts for the operation and maintenance activities of the City's water and wastewater collection and treatment systems.

Additionally, the City reports the following fund type:

Agency funds which do not involve the measurement of results of operations because they are custodial in nature. These funds are used to account for assets that the City holds for others in an agency capacity.

CITY OF ATCHISON, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water/wastewater function and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water/wastewater fund are charges to customers for sales and services. Operating expenses for the water/wastewater fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

## CITY OF ATCHISON, KANSAS

### NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

#### 1 - Summary of Significant Accounting Policies (Continued)

##### Pooled Cash and Investments

Cash and cash equivalents of the individual funds are combined to form a pool that is managed by the Director of Finance. Each fund's equity in the pool is included in "cash and cash equivalents" in the financial statements. These pooled investments consist of operating accounts and nonnegotiable certificates of deposit that are recorded at cost because they are not affected by market rate changes. Investment earnings, including interest income, are allocated to the funds required to accumulate interest; other investments earnings are allocated based on management discretion and upon their average daily equity balances. If a fund is not required to account for its own earnings by law or regulation, the earnings are allocated to the General Fund. For the fiscal year ended December 31, 2005, interest earnings allocated to the various funds were \$ 115,756.

##### Cash Flows Statement

For purposes of the cash flows statement, the City considers deposits and highly liquid investments with an original maturity of three months or less to be cash equivalents. At December 31, 2005, cash equivalents consisted of certificates of deposit included in pooled cash described above.

##### Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All trade accounts receivable are shown net of an allowance for uncollectibles. Management records a trade accounts receivable allowance based on percentages of collection estimated from the aging of the accounts receivable. At December 31, 2005, an allowance for uncollectible receivables of approximately \$ 13,000 has been recorded.

CITY OF ATCHISON, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Receivables and Payables (Continued)

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. Governmental funds deferred revenue is reported as follows:

General fund property tax receivable	\$ 1,988,003
Debt service fund property tax receivable	388,515
Debt service fund special assessments receivable	41,101
Capital projects fund note receivable	35,000
Watershed maintenance fund property tax receivable	144,733
	<hr/>
	\$ 2,597,352

Property Taxes

The City's property taxes are levied each year on the assessed value of all real estate listed as of the prior January 1, the lien date. Assessed values are established by the Atchison County Assessor. The assessed value for property located in the City on which the 2005 levy was based was \$ 54,995,420. The assessed value for property located in the White Clay Watershed #26 (Watershed Maintenance Fund) on which the 2005 levy was based was \$ 64,423,961.

# CITY OF ATCHISON, KANSAS

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### 1 - Summary of Significant Accounting Policies (Continued)

#### Property Taxes (Continued)

Property taxes are legally restricted for use in financing operations of the ensuing year. Accordingly, the City defers revenue recognition until the year for which they are to be used. Property taxes are levied on November 1. Property owners have the option of paying one-half or the full amount of the taxes levied on or before December 20 during the year levied with the balance to be paid on or before May 10 of the ensuing year. Property taxes become delinquent on December 20 of each fiscal year if the taxpayer has not remitted at least one-half of the amount due. The 2004 tax levy per \$ 1,000 of assessed valuation which supports the 2005 budget was as follows:

General Fund	\$ 38.828
Debt Service Fund	11.439
Watershed Maintenance Fund	1.992
Component unit:	
Public Library	<u>6.127</u>
	<u>\$ 58.386</u>

Taxes receivable represent property taxes and special assessments levied for 2005 and prior years that have not yet been collected, net of estimated uncollectibles.

#### Capital Assets

Capital assets, which include property, plant, equipment, infrastructure (e.g., roads, bridges, sidewalks and similar items) and construction in progress are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined as assets with an initial individual cost of more than \$ 2,500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

CITY OF ATCHISON, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Capital Assets (Continued)

Capital assets of the primary government, as well as the component unit, are depreciated using the straight-line method over the following estimated useful lives.

Buildings and systems	20 - 40 years
Improvements	20 years
Machinery and equipment	3 - 10 years
Infrastructure	40 years

Compensated Absences

Under the terms of the City's personnel policy, City employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee with twenty years of service or more will receive accumulated sick leave up to a maximum of 120 days and all accumulated vacation leave, provided the employee has met all conditions set forth in Section VI of the City's personnel policy. An employee with fifteen to twenty years of service will receive one-half of accumulated sick leave, which is limited to a maximum of forty-five days, and all accumulated vacation leave in the event of termination. An employee with ten to fifteen years of service will receive one-fourth of accumulated sick leave, which is limited to a maximum of fifteen days, and all accumulated vacation leave in the event of termination. All vacation pay is accrued when incurred and the varying amounts of accumulated sick leave are accrued upon attaining ten, fifteen and twenty years of service in the government-wide and proprietary financial statements. In the governmental fund financial statements, a liability is accrued when it has matured, for example, as a result of employee resignations and retirements.

Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.



## CITY OF ATCHISON, KANSAS

### NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

#### 1 - Summary of Significant Accounting Policies (Continued)

##### Long-Term Obligations (Continued)

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

##### Fund Balance

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

##### Concentrations of Credit Risk

Loans are extended, on a fully secured basis, to local industries under the revolving economic development loan program. Unsecured credit is extended to customers for water and sewer fees and charges for services. Intergovernmental receivables include unsecured amounts due from federal, state and county agencies for various grant programs. Credit is extended to citizens for special assessments levied by the City for capital improvements. These assessments are secured by liens on the related properties.

##### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CITY OF ATCHISON, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Prior Period Adjustments

Beginning net assets in the water/wastewater fund and in the general fund were restated to reflect the reclassification of prior year sales tax revenue set aside for sewer capital projects from the general fund into the water/wastewater fund. The effect of this restatement is an increase of \$ 163,861 on the beginning net asset balances in the water/wastewater fund and a decrease of \$ 163,861 in the general fund. There was no effect on current revenue or expenditures as a result of the adjustment.

Beginning net assets in the general fund were also restated to reflect the correct recording of franchise tax revenue in the prior year. The effect of this restatement is an increase of \$ 84,667 on the beginning net assets balance in the general fund. There was no effect on current revenue or expenditures as a result of the adjustment.

Beginning net assets in the governmental activities were also restated to reflect the revised estimated historical costs of capital assets. The effect of this restatement is an increase of \$ 79,887 on the beginning net assets balances and beginning capital assets in the governmental activities. There was no effect on accumulated depreciation as a result of this adjustment. There was no effect on current revenue or expenditures as a result of this adjustment.

Beginning net assets for the Library were restated to reflect the revised estimated historical costs of capital assets. The effect of this restatement is a decrease of \$ 61,537 on the beginning net asset balances and beginning capital assets for the Library. There was no effect on accumulated depreciation as a result of this adjustment. There was no effect on the current revenue or expenditures as a result of this adjustment.

Pending Governmental Accounting Standards Board Statements

At December 31, 2005, the Governmental Accounting Standards Board (GASB) had issued several statements not yet implemented by the City. The statements that might impact the City are as follows:

CITY OF ATCHISON, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Pending Governmental Accounting Standards Board Statements (Continued)

GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, was issued in April 2004. The objective of this statement is to establish uniform financial reporting standards for other postemployment benefit plans (OPEB plans). The term "other postemployment benefits" refers to postemployment benefits other than pension benefits and includes (a) postemployment healthcare benefits and, (b) other types of postemployment benefits (i.e., life insurance) if provided separately from a pension plan. This statement provides standards for measurement, recognition, and display of the assets, liabilities, and, where applicable, net assets and changes in net assets of such funds and for related disclosures. The provisions of this statement are effective for periods beginning after December 15, 2006.

GASB Statement No. 44, *Economic Condition Reporting: The Statistical Section*, was issued in May 2004. This statement amends the portions of NCGA Statement 1, Governmental Accounting and Financial Reporting Principles, guiding the preparation of the statistical section. Statement No. 44 establishes the objectives of the statistical section and the five categories of information it contains – financial trends information, revenue capacity information, debt capacity information, demographic and economic information, as well as operating information. The provisions of this statement are effective for periods beginning after June 15, 2005.

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, was issued in June 2004. This statement establishes standards for the measurement, recognition and display of other postemployment benefits (OPEB) expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information in the financial reports of state and local governmental employers. The term "other postemployment benefits" refers to postemployment benefits other than pension benefits and includes (a) postemployment healthcare benefits and, (b) other types of postemployment benefits (i.e., life insurance) if provided separately from a pension plan. The provisions of this statement are effective for periods beginning after December 15, 2007.

CITY OF ATCHISON, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Pending Governmental Accounting Standards Board Statements (Continued)

GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation*, was issued in December, 2004. The objective of this statement is to enhance the usefulness and comparability of net asset information reported by state and local governments by clarifying the meaning of the phrase *legally enforceable* as it applies to restrictions imposed on net asset use by enabling legislation and by specifying the accounting and financial reporting requirements for those restricted net assets. This statement amends GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, paragraph 34. The requirements of this statement are effective for periods beginning after June 15, 2005.

GASB Statement No. 47, *Accounting for Termination Benefits*, was issued in June 2005. This statement establishes standards of accounting and financial reporting for termination benefits. Termination benefits are benefits provided by employers to employees as an inducement to hasten the termination of services or as a result of a voluntary early termination or as a consequence of the involuntary early termination of services. Termination benefits included early retirement incentives, severance benefits and other termination-related benefits. The requirements of this Statement are effective in two parts. For termination benefits provided through an existing defined benefit OPEB plan, the provisions of this statement should be implemented simultaneously with the requirements of Statement No. 45. For all other termination benefits, this statement is effective for financial statements for periods beginning after June 15, 2005.

CITY OF ATCHISON, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

2 - Reconciliation of Government-Wide and Fund Financial Statements

Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Assets

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net assets of governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that “Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$ 3,599,556 difference are as follows:

Bonds payable	\$ (2,900,000)
Accrued interest payable	(41,192)
Loans payable	(101,212)
Compensated absences	<u>(557,152)</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities	<u>\$ (3,599,556)</u>

The governmental fund statement of revenues, expenditures and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and change in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$ 346,118 difference are as follows:

Capital outlay	\$ 777,936
Depreciation expense	<u>(431,818)</u>
Net adjustment to increase net change in fund balances - total governmental funds to arrive at change in net assets of governmental activities	<u>\$ 346,118</u>

CITY OF ATCHISON, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

2 - Reconciliation of Government-Wide and Fund Financial Statements (Continued)

Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances and the Government-Wide Statement of Activities (Continued)

Another element of that reconciliation states that "The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of this \$ 638,128 difference are as follows:

Principal repayments:

General obligation debt	\$ 605,000
Loans payable	<u>33,128</u>

Net adjustment to increase net change in fund balances - total  
governmental funds to arrive at change in net assets of  
governmental activities

\$ 638,128

Another element of that reconciliation states that "Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of this \$ 21,123 difference are as follows.

Compensated absences	\$ (32,113)
Accrued interest	<u>10,990</u>

Net adjustment to increase net change in fund balances - total  
governmental funds to arrive at change in net assets of  
governmental activities

\$ (21,123)

## CITY OF ATCHISON, KANSAS

### NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

#### 3 - Stewardship, Compliance and Accountability

##### Budgetary Information

Applicable Kansas statutes require that budgets be legally adopted for all funds unless exempted by a specific statute. Legal operating budgets are required for the General, Municipal Equipment Reserve, Watershed Maintenance, Special Alcohol, Special Parks and Recreation, Motor Fuel, and the Debt Service Funds. Budgets are not required for the Façade Improvements, Law Enforcement, DARE, Grants, Insurance Reserve, Capital Projects, Water/Wastewater and Refuse Funds. All budgets are prepared utilizing the modified accrual basis further modified by the encumbrance method of accounting - that is, commitments such as purchase orders and contracts, in addition to disbursements and accounts payable, are recorded as expenditures.

The statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding calendar year on or before August 1st.
2. Publication in a local newspaper of the proposed budget and notice of public hearing on the budget on or before August 5th.
3. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25th.

Kansas statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication, the hearing may be held and the governing body may amend the budget at that time. There were no budget amendments during 2005.

Under Kansas statutes management cannot amend the total budget of a fund without approval of the governing body; however, the statutes permit transferring budgeted amounts between line items within an individual fund or department. Therefore, the legal level of control is at the fund level for all legally adopted budgets. The City has elected to pursue a policy of requiring approval of the City Manager on major category changes exceeding \$ 5,000. City commission approval is not needed for category changes or budget transfers within an approved budget. Major category means total personnel services, total contractual services, total materials and supplies, total other charges, or total capital outlay.

CITY OF ATCHISON, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

3 - Stewardship, Compliance and Accountability (Continued)

Excess of Expenditures Over Appropriations

Expenditures and transfers out exceeded appropriations in the Municipal Equipment Reserve Fund by \$ 3,745.

4 - Deposits and Investments

*Credit risk*

Kansas statutes authorize the City and the Library, with certain restrictions, to deposit or invest in temporary notes, no-fund warrants, open accounts, time deposits, certificates of deposit, repurchase agreements, U.S. Treasury Bills and Notes, the municipal investment pool, or to make direct investments. City Resolution 4896 further limits the investment of temporarily idle funds of the City in either, or all, of the following:

1. Direct obligations of the United States Government.
2. Temporary notes of the City.
3. In interest bearing certificates of deposit of the depository banks of the City.
4. In interest bearing accounts with federally insured savings and loan associations in such amounts not exceeding such federal insurance.

*Custodial Credit Risk-Deposits*

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned. Kansas statutes require that deposits be collateralized, and that collateral pledged must have a fair market value equal to 100% of the deposits and investments, less insured amounts, and must be assigned for the benefit of the City. At December 31, 2005, the carrying amount of the City's deposits, including certificates of deposit and accrued interest, was \$ 2,897,411, and the bank balance was \$ 2,973,471. Of the bank balance, \$ 208,968 was covered by Federal depository insurance, and \$ 2,763,267 was covered by collateral held at the Federal Reserve in a pledge account in the name of the City or held by the City's agent in the City's name leaving \$ 1,236 of the City's deposits unsecured.

The carrying amount of deposits for the Library was not exposed to custodial credit risk.



CITY OF ATCHISON, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

4 - Deposits and Investments (Continued)

*Custodial Credit Risk-Investments*

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At December 31, 2005, the City's investments were not exposed to custodial credit risk.

*Interest Rate Risk*

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The City is not exposed to significant interest rate risk.

At December 31, 2005, the City had the following investment:

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>
U.S. Treasury	May 2011	\$ 13,000

5 - Loans Receivable

Loans receivable, aggregating approximately \$ 270,000 at December 31, 2005, consist of economic development and rental rehabilitation low interest loans funded through the U.S. Department of Housing and Urban Development's Community Development Block Grant and Rental Rehabilitation Programs and the City's Façade Improvements Fund as well as a note receivable from an agency fund.

CITY OF ATCHISON, KANSAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

6 - Capital Assets

Capital asset activity for the year ended December 31, 2005 was as follows:

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 1,992,180	\$ -	\$ (80,533)	\$ 1,911,647
Construction in progress	1,039	48,479	(1,039)	48,479
Total capital assets not being depreciated	1,993,219	48,479	(81,572)	1,960,126
Capital assets being depreciated:				
Buildings and systems	2,542,433	18,046	-	2,560,479
Improvements	4,882,749	148,122	-	5,030,871
Machinery and equipment	3,000,405	320,588	(225,873)	3,095,120
Infrastructure	12,736,502	278,728	-	13,015,230
Total capital assets being depreciated	23,162,089	765,484	(225,873)	23,701,700
Less accumulated depreciation for:				
Buildings and systems	(1,348,197)	(62,434)	-	(1,410,631)
Improvements	(665,786)	(129,121)	-	(794,907)
Machinery and equipment	(2,240,567)	(206,164)	213,915	(2,232,816)
Infrastructure	(11,876,288)	(34,099)	-	(11,910,387)
Total accumulated depreciation	(16,130,838)	(431,818)	213,915	(16,348,741)
Total capital assets being depreciated, net	7,031,251	333,666	(11,958)	7,352,959
Governmental activities capital assets, net	\$ 9,024,470	\$ 382,145	\$ (93,530)	\$ 9,313,085

## CITY OF ATCHISON, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)6 - Capital Assets (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type activities:</b>				
Capital assets not being depreciated:				
Land	\$ 101,537	\$ -	\$ -	\$ 101,537
Construction in progress	281,673	153,852	(242,848)	192,677
Total capital assets not being depreciated	383,210	153,852	(242,848)	294,214
Capital assets being depreciated:				
Buildings and systems	27,323,268	309,551	-	27,632,819
Machinery and equipment	1,073,549	309,777	-	1,383,326
Total capital assets being depreciated	28,396,817	619,328	-	29,016,145
Less accumulated depreciation for:				
Buildings and systems	(11,373,790)	(631,701)	-	(12,005,491)
Machinery and equipment	(739,333)	(102,958)	-	(842,291)
Total accumulated depreciation	(12,113,123)	(734,659)	-	(12,847,782)
Total capital assets being depreciated, net	16,283,694	(115,331)	-	16,168,363
Business-type activities capital assets, net	<u>\$ 16,666,904</u>	<u>\$ 38,521</u>	<u>\$ (242,848)</u>	<u>\$ 16,462,577</u>

CITY OF ATCHISON, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

6 - Capital Assets (Continued)

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General government	\$ 269,150
Public safety	79,094
Public works	62,781
Parks and recreation	20,793

Total depreciation expense - governmental activities	<u>\$ 431,818</u>
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Business-type activities:

Water/wastewater	\$ 704,618
Refuse	30,041

Total depreciation expense - business type activities	<u>\$ 734,659</u>
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## CITY OF ATCHISON, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)6 - Capital Assets (Continued)Discretely Presented Component Unit

Capital asset activity for the Library for the year ended December 31, 2005 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 8,995	\$ -	\$ -	\$ 8,995
Construction in progress	-	12,300	-	12,300
Total capital assets not being depreciated	8,995	12,300	-	21,295
Capital assets being depreciated:				
Buildings and systems	225,808	-	-	225,808
Machinery and equipment	27,789	-	-	27,789
Total capital assets being depreciated	253,597	-	-	253,597
Less accumulated depreciation for:				
Buildings and systems	(133,266)	(4,746)	-	(138,012)
Machinery and equipment	(10,465)	(3,541)	-	(14,006)
Total accumulated depreciation	(143,731)	(8,287)	-	(152,018)
Total capital assets being depreciated, net	109,866	(8,287)	-	101,579
Library capital assets, net	\$ 118,861	\$ 4,013	\$ -	\$ 122,874

## CITY OF ATCHISON, KANSAS

### NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

#### 7 - Defined Benefit Pension Plan

##### Plan Description

The City of Atchison participates in the Kansas Public Employees Retirement System (KPERS) and the Kansas Police and Firemen's Retirement System (KP&F). Both are part of a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, *et seq.* KPERS and KP&F provide retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS and KP&F issue a publicly available financial report (only one is issued) that includes financial statements and required supplementary information. Those reports may be obtained by writing to KPERS (611 S. Kansas Avenue, Suite 100; Topeka, Kansas 66603-3803) or by calling 1-888-275-5737.

##### Funding Policy

K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4% of covered salary. K.S.A. 74-4975 establishes KP&F member-employee contribution rate at 7% of covered salary. The employer collects and remits member-employee contributions according to the provisions of section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rates be determined annually based on the results of an annual actuarial valuation. KPERS and KP&F are funded on an actuarial reserve basis. State law sets a limitation on annual increases in the employer contribution rates. The KPERS employer rate established by statute from January through June 2005 was 4.01% and from July through December 2005 was 4.21%. The City's employer contributions to KPERS for the years ending December 31, 2005, 2004, and 2003 were \$ 41,463, \$ 36,530, and \$ 34,806, respectively, equal to the statutory required contributions for each year. The KP&F uniform participating employer rate established for calendar year 2005 is 13.30%. Employers participating in KP&F also make contributions to amortize the liability for past service costs, if any, which is determined separately for each participating employer. The contributions to KP&F for the years ending December 31, 2005, 2004, and 2003 were approximately \$ 215,100, \$ 174,200, and \$ 136,400, respectively, equal to the statutory required contributions for each year.

# CITY OF ATCHISON, KANSAS

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### 8 - Risk Management

The City is exposed to various risks of loss related to torts; damage to and destruction of assets; business interruptions; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years. There have not been significant reductions in coverage from prior years.

### 9 - Commitments and Contingencies

#### Capital Projects

The City has the following projects in progress at December 31, 2005:

	Costs to Date	Amount Authorized
General Government:		
Cap of the Mall design	\$ 14,218	\$ 159,255
Airport apron reconstruction	23,638	40,210
Public Works:		
Traffic signal US 59 & 14th	10,623	680,581
Water/wastewater:		
New mains	192,677	229,307
Component unit:		
Circular desk	12,300	12,300
	<u>\$ 253,456</u>	<u>\$ 1,121,653</u>

#### Litigation

There are a number of claims and/or lawsuits to which the City is a party as a result of the ordinary course of City activities. The City management and legal counsel anticipate that the potential claims against the City not covered by insurance, if any, resulting from such matters would not materially affect the financial position of the City.

CITY OF ATCHISON, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

9 - Commitments and Contingencies (Continued)

Industrial Revenue Bonds

The City has issued industrial revenue bonds to finance the purchase of land and construction of facilities leased to local businesses. The lease agreements provide for rentals sufficient to service the related bonds. The debt service on these issues is paid solely from lease agreements; these issues do not constitute a debt of the City. The lessees have the option of purchasing the leased properties at any time during the lease periods for amounts sufficient to retire the related outstanding bonds. At the end of the lease periods, which conform to bond maturity schedules, the lessees may either purchase the property for a nominal amount or renew the leases annually at nominal amounts. As of December 31, 2005, industrial revenue bonds of \$ 8,360,000 are outstanding.

10 - Long-Term Debt

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities.

General obligation bonds payable at December 31, 2005 are comprised of the following issues:

	Callable Date	Interest Rates	Original Issue	Final Maturity Date	Principal Payments During 2005	Outstanding December 31, 2005
General Obligation Bonds:						
Governmental activities:						
Series 1995-A	9/1/2002	4.95% to 6.55%	\$ 1,415,000	2005	\$ 195,000	\$ -
Series 1996-A	9/1/2003	4.50% to 6.50%	480,000	2006	55,000	60,000
Series 1997-A	9/1/2004	4.25% to 5.50%	600,000	2007	70,000	145,000
Series 1997-B	9/1/2004	6.40% to 8.00%	228,000	2007	25,000	60,000
Series 2000-A	9/1/2007	4.90% to 6.00%	1,345,000	2009	145,000	640,000
Series 2002-A	9/1/2010	3.50% to 4.15%	1,748,000	2012	75,000	1,535,000
Series 2004-A	9/1/2012	2.90% to 3.70%	500,000	2014	40,000	460,000
					<u>605,000</u>	<u>2,900,000</u>
Business-type activities:						
Series 2001-A	9/1/2011	4.10% to 6.00%	9,965,000	2018	390,000	8,650,000
Series 2004-B	N/A	2.05% to 3.00%	2,345,000	2010	395,000	1,950,000
					<u>785,000</u>	<u>10,600,000</u>
					<u>\$ 1,390,000</u>	<u>\$ 13,500,000</u>



CITY OF ATCHISON, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

10 - Long-Term Debt (Continued)

General Obligation Bonds (Continued)

The installment ranges for the general obligation bonds are the following:

	Installment Range	
	Low	High
General Obligation Bonds:		
Governmental activities:		
Series 1996-A	\$ 35,000	\$ 60,000
Series 1997-A	45,000	75,000
Series 1997-B	13,000	30,000
Series 2000-A	60,000	170,000
Series 2002-A	68,000	240,000
Series 2004-A	40,000	60,000
Business-type activities:		
Series 2001-A	205,000	890,000
Series 2004-B	235,000	445,000

The future annual requirements for general obligation bonds outstanding as of December 31, 2005 are as follows:

	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2006	\$ 595,000	\$ 120,963	\$ 825,000	\$ 452,203
2007	500,000	94,140	855,000	417,227
2008	410,000	72,690	880,000	391,315
2009	430,000	55,725	915,000	362,115
2010	270,000	37,455	725,000	330,125
2011-2015	695,000	49,501	3,590,000	1,232,263
2016-2020	-	-	2,810,000	272,240
	<u>\$ 2,900,000</u>	<u>\$ 430,474</u>	<u>\$ 10,600,000</u>	<u>\$ 3,457,488</u>

CITY OF ATCHISON, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

10 - Long-Term Debt (Continued)

Other Financing

The City has entered into lease agreements as lessee for financing the acquisition of equipment. These lease agreements qualify as capital leases and therefore have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

Assets:

Street sweeper cost	\$ 115,662
Less accumulated depreciation	-
Net book value	<u>\$ 115,662</u>
Jet Vac truck lease	\$ 80,000
Less accumulated depreciation	-
Net book value	<u>\$ 80,000</u>

The following is a schedule of future minimum lease payments for other financing as of December 31, 2005:

	Business-Type Activities Capital Lease Obligations	Governmental Activities	
		CDBG Loan Payback 96-IN-168	CDBG Loan Payback 99-CP-005
2006	\$ 48,382	\$ 27,720	\$ 7,930
2007	48,382	27,720	7,930
2008	48,382	13,860	7,930
2009	19,253	-	7,930
2010	19,253	-	3,942
	183,652	69,300	35,662
Amount representing interest	17,652	2,031	1,719
	<u>\$ 166,000</u>	<u>\$ 67,269</u>	<u>\$ 33,943</u>

CITY OF ATCHISON, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

10 - Long-Term Debt (Continued)

Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2005 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities:</b>					
Bonds payable:					
General obligation bonds	\$ 3,505,000	\$ -	\$ (605,000)	\$ 2,900,000	\$ 595,000
Other financing:					
CDBG loan payback 96-IN-168	93,253	-	(25,984)	67,269	26,507
CDBG loan payback 99-CP-005	41,087	-	(7,144)	33,943	7,287
Compensated absences	525,039	59,234	(27,121)	557,152	32,572
<b>Governmental activities long-term liabilities</b>	<b>\$ 4,164,379</b>	<b>\$ 59,234</b>	<b>\$ (665,249)</b>	<b>\$ 3,558,364</b>	<b>\$ 661,366</b>
<b>Business-type activities:</b>					
Bonds payable:					
General obligation bonds	\$ 11,385,000	\$ -	\$ (785,000)	\$ 10,600,000	\$ 825,000
Less deferred amount on refunding	(59,564)	-	9,927	(49,637)	-
Capital leases:					
Jet Vac Truck	-	80,000	-	80,000	25,489
Street sweeper	-	115,662	(29,662)	86,000	15,799
Compensated absences	9,736	46,881	(863)	55,754	4,460
<b>Business-type activities long-term liabilities</b>	<b>\$ 11,335,172</b>	<b>\$ 242,543</b>	<b>\$ (805,598)</b>	<b>\$ 10,772,117</b>	<b>\$ 870,748</b>

For the governmental activities, compensated absences are generally liquidated by the general fund.

CITY OF ATCHISON, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

10 - Long-Term Debt (Continued)

Legal Debt Margin

The City is subject to Kansas statutes which limit the amount of net bonded debt (exclusive of revenue and sanitary sewer improvement bonds) the City may have outstanding to 30% of the current assessed valuation of property. At December 31, 2005, the assessed valuation was \$ 54,995,420. The statutory limit was \$ 16,498,626, which, after reduction for outstanding eligible general obligation bonds totaling \$ 2,900,000 plus \$ 248,738 available in the debt service fund, leaves a legal debt margin of \$ 13,847,364.

11 - Temporary Notes Payable

Temporary note payable activity for the year ended December 31, 2005 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Temporary Notes	<u>\$ 925,000</u>	<u>\$ -</u>	<u>\$ (630,000)</u>	<u>\$ 295,000</u>

Temporary notes payable outstanding at December 31, 2005 are as follows:

<u>Issue</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Maturity</u>
Governmental-type activities:			
2003A	\$ 35,000	2.88%	9/1/2006
Business-type activities:			
2004B	260,000	2.25%	10/1/2007

The 2003A and 2004B issues proceeds were expended on city improvements.

# CITY OF ATCHISON, KANSAS

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### 12 - Interfund Transactions

Interfund transfers for the year ended December 31, 2005, consisted of the following:

Transfers to general fund from:

Nonmajor governmental funds	\$ 535
Nonmajor enterprise funds	35,000
Water/wastewater fund	375,000
Total transfers to general fund	<u>\$ 410,535</u>

Transfers to nonmajor governmental funds from:

General fund	\$ 438,282
Nonmajor governmental funds	211,426
Nonmajor enterprise funds	52,500
Water/wastewater fund	115,500
Total transfers to nonmajor governmental funds	<u>\$ 817,708</u>

Transfers to water/wastewater fund from:

Nonmajor governmental funds	<u>\$ 2,523</u>
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Transfers to debt service fund from:

Nonmajor governmental funds	\$ 50,644
Water/wastewater fund	34,750
	<u>\$ 85,394</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

A capital asset transfer of \$ 57,503 occurred from the governmental activities to the business-type activities and is reported within transfers on the statement of activities.

CITY OF ATCHISON, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

13 - Net Asset Reserves

The governmental fund financial statements include reserves that are maintained for specific purposes. The nature and purposes of the significant reserves are:

Reserved for Encumbrances

An account to segregate monies that have been appropriated, but expenditures have not yet been incurred.

Reserved for Revolving Loans

An account to segregate monies that are reserved for current and future economic development revolving loans.

**Required  
Supplementary  
Information**

**2005**

## REQUIRED SUPPLEMENTARY INFORMATION



## CITY OF ATCHISON, KANSAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL

## GENERAL FUND

Year Ended December 31, 2005

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Taxes:			
Ad valorem taxes	\$ 2,028,002	\$ 2,059,501	\$ 31,499
Motor vehicle tax	236,278	218,588	(17,690)
Vehicle excise tax	2,571	1,252	(1,319)
Payments in lieu of taxes	7,500	6,285	(1,215)
City sales tax	1,420,000	1,537,858	117,858
Franchise tax	610,500	843,255	232,755
Transient guest tax	72,000	69,139	(2,861)
Recreational vehicle tax	2,034	1,766	(268)
16-20 M truck vehicle tax	1,056	969	(87)
	<u>4,379,941</u>	<u>4,738,613</u>	<u>358,672</u>
Intergovernmental revenues:			
Special highway	60,000	60,534	534
Special liquor	22,919	26,703	3,784
Grants	-	39,092	39,092
	<u>82,919</u>	<u>126,329</u>	<u>43,410</u>
Charges for services	<u>53,000</u>	<u>65,987</u>	<u>12,987</u>
Licenses and permits	<u>31,100</u>	<u>32,916</u>	<u>1,816</u>
Interest on investments	<u>20,000</u>	<u>42,576</u>	<u>22,576</u>
Fines and fees	<u>\$ 167,000</u>	<u>\$ 131,661</u>	<u>\$ (35,339)</u>

(Continued)

## CITY OF ATCHISON, KANSAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL

## GENERAL FUND

Year Ended December 31, 2005

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Miscellaneous:			
Sales of cemetery lots	\$ 6,000	\$ 5,975	\$ (25)
Donations	10,000	10,000	-
Other	10,000	5,232	(4,768)
Management fee - Watershed	32,000	32,000	-
	<u>58,000</u>	<u>53,207</u>	<u>(4,793)</u>
Total revenues	<u>4,791,960</u>	<u>5,191,289</u>	<u>399,329</u>
Expenditures:			
General government:			
City Manager:			
Personnel services	140,422	121,684	18,738
Contractual services	5,500	3,277	2,223
Materials and supplies	2,200	1,746	454
	<u>148,122</u>	<u>126,707</u>	<u>21,415</u>
Human resources:			
Personnel services	59,357	58,742	615
Contractual services	6,995	6,902	93
Materials and supplies	5,900	3,531	2,369
	<u>72,252</u>	<u>69,175</u>	<u>3,077</u>
Finance:			
Personnel services	245,947	254,823	(8,876)
Contractual services	146,500	147,403	(903)
Materials and supplies	9,730	10,154	(424)
	<u>402,177</u>	<u>412,380</u>	<u>(10,203)</u>
Municipal court:			
Personnel services	65,155	68,801	(3,646)
Contractual services	12,248	8,341	3,907
Materials and supplies	440	308	132
	<u>\$ 77,843</u>	<u>\$ 77,450</u>	<u>\$ 393</u>

(Continued)

## CITY OF ATCHISON, KANSAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL

## GENERAL FUND

Year Ended December 31, 2005

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Grants administration:			
Personnel services	\$ 51,825	\$ 38,885	\$ 12,940
Contractual services	1,950	9,516	(7,566)
	<u>53,775</u>	<u>48,401</u>	<u>5,374</u>
Building official and buildings and grounds:			
Personnel services	107,512	110,873	(3,361)
Contractual services	100,820	128,820	(28,000)
Materials and supplies	4,000	3,411	589
	<u>212,332</u>	<u>243,104</u>	<u>(30,772)</u>
Downtown mall:			
Personnel services	32,666	32,851	(185)
Contractual services	12,000	6,472	5,528
Materials and supplies	5,000	5,689	(689)
	<u>49,666</u>	<u>45,012</u>	<u>4,654</u>
Tourism:			
Contractual services	<u>157,000</u>	<u>154,139</u>	<u>2,861</u>
Other general government:			
Contractual services	110,875	121,823	(10,948)
Contingency	205,900	7,572	198,328
	<u>316,775</u>	<u>129,395</u>	<u>187,380</u>
Total general government	<u>1,489,942</u>	<u>1,305,763</u>	<u>184,179</u>
Public safety:			
Fire department:			
Personnel services	1,064,768	1,023,153	41,615
Contractual services	56,450	62,162	(5,712)
Materials and supplies	23,845	19,087	4,758
	<u>\$ 1,145,063</u>	<u>\$ 1,104,402</u>	<u>\$ 40,661</u>

(Continued)

## CITY OF ATCHISON, KANSAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL

## GENERAL FUND

Year Ended December 31, 2005

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Police department:			
Personnel services	\$ 1,300,599	\$ 1,309,779	\$ (9,180)
Contractual services	44,150	42,820	1,330
Materials and supplies	45,680	54,673	(8,993)
	<u>1,390,429</u>	<u>1,407,272</u>	<u>(16,843)</u>
Animal control:			
Personnel services	30,559	32,679	(2,120)
Contractual services	2,650	4,115	(1,465)
Materials and supplies	2,000	2,135	(135)
	<u>35,209</u>	<u>38,929</u>	<u>(3,720)</u>
Total public safety	<u>2,570,701</u>	<u>2,550,603</u>	<u>20,098</u>
Public works:			
Engineering:			
Personnel services	237,074	222,691	14,383
Contractual services	12,275	11,362	913
Materials and supplies	3,000	2,923	77
	<u>252,349</u>	<u>236,976</u>	<u>15,373</u>
Street:			
Personnel services	407,576	346,160	61,416
Contractual services	32,200	31,581	619
Materials and supplies	92,600	111,454	(18,854)
	<u>532,376</u>	<u>489,195</u>	<u>43,181</u>
Amelia Earhart Airport:			
Contractual services	10,200	11,467	(1,267)
Materials and supplies	3,500	69	3,431
	<u>\$ 13,700</u>	<u>\$ 11,536</u>	<u>\$ 2,164</u>

(Continued)

## CITY OF ATCHISON, KANSAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL

## GENERAL FUND

Year Ended December 31, 2005

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Fleet maintenance:			
Personnel services	\$ 106,238	\$ 128,376	\$ (22,138)
Contractual services	1,300	536	764
Materials and supplies	63,225	67,631	(4,406)
	<u>170,763</u>	<u>196,543</u>	<u>(25,780)</u>
AHCC:			
Contractual services	<u>50,000</u>	<u>50,000</u>	<u>-</u>
Total public works	<u>1,019,188</u>	<u>984,250</u>	<u>34,938</u>
Parks and recreation:			
Parks:			
Personnel services	197,094	200,451	(3,357)
Contractual services	33,870	36,483	(2,613)
Materials and supplies	36,200	40,399	(4,199)
	<u>267,164</u>	<u>277,333</u>	<u>(10,169)</u>
Municipal pool:			
Contractual services	39,000	34,086	4,914
Materials and supplies	12,500	8,148	4,352
	<u>51,500</u>	<u>42,234</u>	<u>9,266</u>
Oak Hill Cemetery:			
Contractual services	6,500	5,025	1,475
Materials and supplies	200	156	44
	<u>6,700</u>	<u>5,181</u>	<u>1,519</u>
Riverfront Park:			
Personnel services	8,935	-	8,935
Contractual services	1,500	1,058	442
Materials and supplies	965	365	600
	<u>11,400</u>	<u>1,423</u>	<u>9,977</u>
Total parks and recreation	<u>\$ 336,764</u>	<u>\$ 326,171</u>	<u>\$ 10,593</u>

(Continued)

## CITY OF ATCHISON, KANSAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL

## GENERAL FUND

Year Ended December 31, 2005

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Economic development:			
Contractual services	\$ 67,500	\$ 67,500	\$ -
Total expenditures	5,484,095	5,234,287	249,808
Excess of revenues over (under) expenditures	(692,135)	(42,998)	649,137
Other financing sources (uses):			
Sale of city owned property	1,500	76,905	75,405
Transfers in	635,000	410,535	(224,465)
Transfers out	(395,000)	(438,282)	(43,282)
Total other financing sources (uses)	241,500	49,158	(192,342)
Net change in fund balances	(450,635)	6,160	456,795
Fund balances, beginning	450,635	619,330	168,695
Fund balances, ending	\$ -	\$ 625,490	\$ 625,490

CITY OF ATCHISON, KANSAS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

December 31, 2005

1 - General

All budgets are prepared utilizing the modified accrual basis further modified by the encumbrance method of accounting – that is, commitments such as purchase orders and contracts, in addition to disbursements and accounts payable, are recorded as expenditures.

2 - Reconciliation

Explanation of differences between budget and GAAP net change in fund balances:

Net change in fund balance - budget	\$	6,160
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Encumbrances for equipment and supplies ordered but not yet received are reported in the year the orders are placed for budgetary purposes, but are reported in the year the equipment and supplies are received for GAAP purposes:

2005 encumbrances	40,608
2004 encumbrances	(11,305)
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Net change in fund balance - GAAP	\$	<u>35,463</u>
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